

**CALENDAR ITEM
C61**

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06/23/11
PRC 8485.1
N. Lavoie

**CONSIDER AN ASSIGNMENT AND AMENDMENT OF LEASE
AND THE CONTINUATION OF RENT**

LESSEE/ASSIGNOR:

Rosetta Resources Operating LP
717 Texas, Suite 2800
Houston, TX 77002

ASSIGNEE:

Vintage Petroleum, LLC
10889 Wilshire Boulevard
Los Angeles, CA 90024

AREA, LAND TYPE, AND LOCATION:

0.06 acres, more or less, of sovereign land in Tomato Slough, at Brannan Island, near the city of Rio Vista, Sacramento County.

AUTHORIZED USE:

Use and maintenance of an existing eight-inch diameter high pressure natural gas pipeline and an existing access road as shown on Exhibit A.

LEASE TERM:

20 years, beginning October 20, 2003.

CONSIDERATION:

\$100 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT:

Amend Lease No. PRC 8485.1 as follows:

1. Section 1 (General Provisions) to revise the surety bond or other security from \$10,000 to \$20,000.
2. Section 2 (Special Provisions) to revise liability insurance coverage from not less than \$50,000,000 per each occurrence to not less

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than \$5,000,000 per each occurrence, and revise engineering provisions, and add additional engineering and reporting provisions.

OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the upland adjoining the lease premises.
2. On October 20, 2003, the Commission authorized a 20-year General Lease – Right-of-Way Use to Calpine Natural Gas Company, LP. On October 30, 2007, the Commission authorized the Assignment of Lease No. PRC 8485.1 from Calpine Natural Gas Company, LP to Rosetta Resources Operation LP. The lessee has made application to assign the lease to Vintage Petroleum, LLC.
3. Vintage Petroleum, LLC (Vintage) is a wholly owned subsidiary of Occidental Oil and Gas Holding Corporation (Oxy). Vintage will be responsible for complying with all obligations of the lease for the existing facilities and Oxy is providing an unconditional guaranty for the full performance of all obligations under Lease No. PRC 8485.1.
4. The existing pipeline was installed down the center of an access road when the Brannan Island Reclamation District was replacing a culvert under the same access road in 2002. A conventional open cut trench was utilized after the culvert installation was completed by the Reclamation District. The 36-inch diameter culvert was buried five feet below the access road and the pipeline was laid with a two-foot clearance between the top of the culvert and the bottom of the gas pipeline and with a minimum three-foot depth of cover under the access road. Historically, the access road has served as an agricultural and natural gas well and pipeline easement with the Rio Vista Gas Field Operator (currently Rosetta Resources Operating LP) being primarily responsible for maintenance. Therefore, use and maintenance of the existing access road over Tomato Slough is also included in Lease No. 8485.1.
5. The pipeline is a high pressure natural gas pipeline approximately 2.3 miles long installed from the Twitchell/Brannan Master Meter (located just south of State Highway 12) to the Rio Vista Gas Unit 162 Meter. The east side of the pipeline was last inspected February 25, 2011, and the west side on April 15, 2011. No repairs or modifications made within the lease area were necessitated by the inspections.
6. This lease provides that Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff has conducted a review of the

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rent under this lease, and recommends that the rent be continued at \$100 per year, effective October 20, 2011.

7. As part of assignment staff reviewed lease requirements and are recommending that the lease is amended to include additional engineering and reporting provisions, standard in new leases, and to revise liability insurance coverage from not less than \$50,000,000 per each occurrence to not less than \$5,000,000 per each occurrence; revise surety bond or other security device from \$10,000 to \$20,000. The revisions bring the lease into conformity with the other leases assigned from Rosetta to Vintage.

8. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Site and Location Map
- B. Land Description

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

Authorize the Assignment of Lease No. PRC 8796.1, a General Lease Right-of-Way Use, of sovereign land in the San Joaquin River as shown on Exhibit A (for reference purposes only) and as described on Exhibit B attached and by this reference made a part hereof, from Rosetta Resources Operating LP to Vintage Petroleum, LLC and acceptance of a parental guaranty from Occidental Oil and Gas Holding Corporation; effective June 23, 2011.

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Authorize the amendment of Lease No. PRC 8485.1, to include the revision of the surety bond or other security from \$10,000 to \$20,000; liability insurance coverage from not less than \$50,000,000 per each occurrence to not less than \$5,000,000 per each occurrence; and revise engineering provisions, and add additional engineering and reporting provisions, effective June 23, 2011.

Approve the continuation of rent for Lease No. PRC 8485.1 at \$100 per year, effective October 20, 2011.